

Testimony
Rep. Randy Neugebauer
House Government Reform Subcommittee on Regulatory Affairs
September 26, 2006

Chairwoman Miller, and members of the Subcommittee, thank you for the opportunity to appear before this Subcommittee to discuss an issue of tremendous importance to small businesses. I appreciate your willingness to hold this hearing at my request.

Most of us can agree that the Federal government requires a substantial amount of paperwork from small businesses. When I listen to small business owners back home in West Texas, they continually reaffirm this reality, and they want to know what we're doing about it here in Washington. As a former small business owner myself, I can sympathize with their frustration.

For these reasons, I introduced the Small Business Paperwork Amnesty Act in April of this year. I strongly believe this legislation will go a long way to reducing this burden by bringing some common sense to the relationship between small business owners and the federal government.

Over the past decade, there has been a growing effort in Congress to reduce the burden the Federal government places on small businesses. While there have been small victories along the way, this effort has been met with fierce opposition by special interest groups, and not surprisingly, from the federal regulators themselves.

In the late nineties, former Representative David McIntosh, who was then Chairman of this Subcommittee, introduced a similar bill that was approved by this Subcommittee. While broader in scope, Mr. McIntosh's bill, the Small Business Paperwork Reduction Act of 1998, included the same provisions that are found in the Small Business Paperwork Amnesty Act. The House of Representatives passed that bill by an overwhelming majority. Unfortunately, our colleagues in the Senate were unable to produce similar results.

Some may wonder why I have taken on this issue almost eight years later. The fact is, time has not diminished the need for this legislation. If anything, the passage of time has only increased the need.

According to the National Federation of Independent Business, whom you will hear from today, small businesses with fewer than 20 employees face regulatory costs of over \$7,600 per employee per year. And each year, these costs continue to increase, because federal regulations continue to increase.

Today you will also hear from Mr. Jim Wordsworth, who operates J.R.'s Stockyards Inn located in McLean, Virginia. He will testify about the amount of regulations he must comply with, and the impact it has on his business.

I can sympathize with Mr. Wordsworth, because I have been in his shoes before. Indeed, many small business owners live in fear of federal regulators. This fear is not because they are in violation of regulations they know about, but because they may be in violation of regulations they are not even aware of.

This “gotcha” mentality on the part of federal agencies is at odds with the core principles of our economy. I believe we have a responsibility to fight this mindset. We must begin with common sense reforms.

From my personal experience, I know that for a small business owner to be successful, he or she must diligently manage their two greatest assets: resources and time. More often than not, these two things are in short supply. The costs of compliance to obscure regulations further eat away at both.

We must find ways to help small business owners comply with paperwork requirements so they can devote more time and resources to growing their businesses, creating new jobs, and thus expanding our economy.

Due to the sheer volume and complexity of federal regulations, even the most diligent small business-owner may inadvertently make an error or miss deadlines associated with government paperwork.

The Small Business Paperwork Amnesty Act will prevent bureaucratic agencies from imposing excessive civil fines on small businesses for first-time, inadvertent paperwork violations.

This bill will not exempt any business from any paperwork requirements. It just gives leeway for a business owner to correct a first-time mistake. If the business does not comply within a six-month time period, the fine will be imposed.

Furthermore, this legislation will provide relief while still providing for the safety and health of our communities. Only those paperwork violations that do *not* threaten the public welfare will be eligible for a second chance.

A common misperception concerning this legislation is that it would somehow lead to more noncompliance, or that agencies could not enforce penalties for violations that would harm the public. This simply is not the case.

In the event that a paperwork violation would harm the public welfare or present an imminent threat to the environment, this bill does give the agency full discretion to impose the civil fine under current law. However, the agency may give the small business 24 hours, rather than six-months, to fix the violation. In other words, if a company swiftly and faithfully corrects an inadvertent mistake, only then will they be eligible to receive a second chance under this bill.

By giving agencies this broad discretion, we can be confident that those agencies will be able to use their authority to carry out the mandate we have entrusted them to fulfill.

The Small Business Paperwork Amnesty Act strikes the right balance between reducing the burden placed on small businesses, and our responsibility to protect our communities and the environment.

In closing, I would like to say that here in Washington, it's easy for some to forget the proper role of government, and why we're even here in the first place. Personally, I believe our government is accountable to the people, and not the other way around. This philosophy is at the heart of this legislation, and I hope this can be the basis of our discussion here today.

Again, thank you Chairwoman Miller for holding this important hearing. I look forward to the testimony of my colleague, Senator Vitter, and the witnesses on the second panel. Thank you.